
Introduction to the FY 2004 Budget and Financial Plan

The District of Columbia has what is arguably the most complex government in the United States.

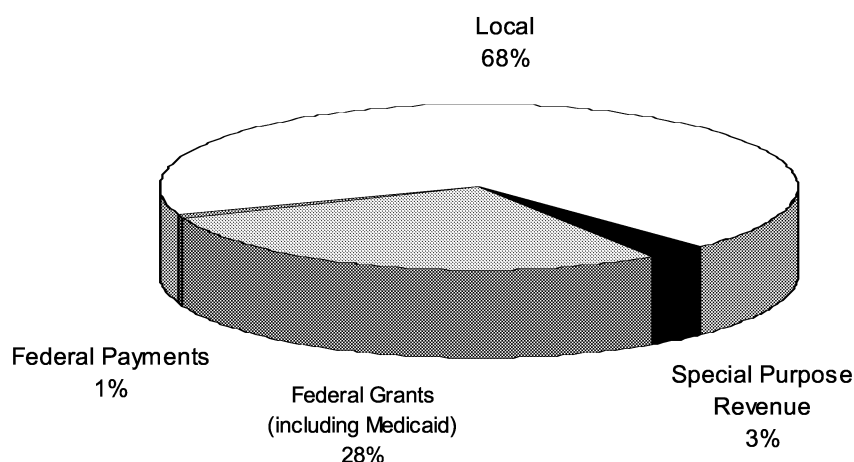
In one entity, the District government provides services typically delivered elsewhere by states, counties, cities, and special taxing districts. The challenge for the District is to navigate this jurisdictional complexity while facing declining revenues and increasing service needs. Totalling \$5.573 billion, the FY 2004 Proposed Gross Funds Budget and Financial Plan is \$1 million less than the FY 2003 budget of \$5.574 billion, not including intra-district funding or Enterprise Fund agencies. The budget funds services as diverse as street cleaning, affordable multifamily housing development, voter registration, business inspection, fire fighting, police patrol, running a lottery, managing a vast multimodal trans-

it system, educating children, promoting economic development, encouraging people to move into the District, and protecting at-risk youth.

The District's proposed budget is similar to any budget in that it identifies resources (revenues) and uses (expenditures) to accomplish specific purposes developed by citywide strategic planning and departmental business planning. In addition to these basic elements, the proposed budget includes a financial forecast for the Mayor and the District Council's policy priorities and detailed cost information for agency programs and activities.

Chart 1-1

Where the Money Comes From - Total Gross Funds FY 2004 \$5.6 Billion



Where the Money Comes From

Money for providing District services comes from a variety of sources. The District's general fund consists of local and special revenue funds. Federal grants, federal Medicaid, and federal payments constitute the District's federal resources. Private resources and intra-district funds make up the balance of the District's gross funds (chart 1-1)

Local tax revenue accounts for most of the

money to provide services and includes such common sources as income, property, and sales taxes (chart 1-2). Detailed revenue information, including historical trends, FY 2004 revenue estimates and projection assumptions are included in the revenue chapter of this budget book.

How the Money is Allocated

To facilitate policy decisions concerning expenditures and to provide summary informa-

Chart 1-2

Where the Money Comes From - Local Funds FY 2004 \$3.8 Billion

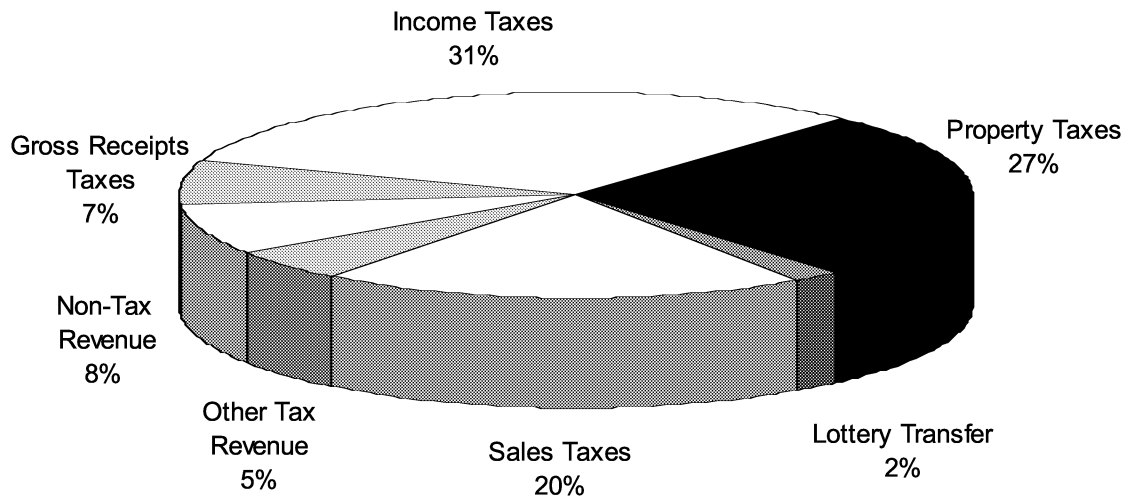


Table 1-1

FY 2004 Total Gross Funds Expenditures

(Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	\$262,875	\$269,751	\$6,876	2.6
Economic Development and Regulation	247,139	220,469	(26,670)	-10.8
Public Safety and Justice	623,327	750,988	127,661	20.5
Public Education System	1,166,014	1,163,056	(2,958)	-0.3
Human Support Services	2,482,792	2,372,788	(110,004)	-4.4
Public Works	319,351	330,568	11,217	3.5
Financing and Other	472,105	464,897	(7,208)	-1.5
Total	\$5,573,603	\$5,572,517	\$(1,086)	-0.02

tion for reporting expenditures, the District's budget is developed, presented, and executed along several lines. These include fund types, appropriation titles, agencies, programs, and expense categories.

As with revenues, expenditures can be grouped by the source of funds. The total of these funds is referred to as gross funds. The proposed gross funds budget for FY 2004 is \$5.573 billion, \$1 million less than the FY 2003 approved budget of \$5.574 billion. For purposes of appropriating the District's budget, agency budgets are grouped by function, such as public safety or public education. Table 1-1 shows the FY 2004 proposed gross funds expenditures budget by appropriation title. The decline in expenditures from FY 2003 to FY 2004 is a result of overall economic conditions and their impact on the District's revenues.

This decline in revenue is especially evident

when looking at the District's Local funds budget. This budget, supported by locally generated tax revenue, represents 68.2 percent of the gross budget and increased only 5.5 percent.

Table 1-2 depicts the Local funds budget by appropriation title. The largest appropriation titles, Public Education System and Human Support Services, represent 54.1 percent of the Local funds budget – meaning over one-half of every dollar generated locally is directed to just these two areas.

Within the appropriation titles are the agencies that provide the programs and services to District citizens and businesses. For example, the Public Works appropriation title includes the Department of Public Works, the Department of Transportation, and the Department of Motor Vehicles. The FY 2004 proposed budget includes 110 agencies dispersed across eight appropriation titles.

Table 1-2

FY 2004 Local General Funds Expenditures

(Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	\$207,973	\$212,212	\$4,239	2.0
Economic Development and Regulation	56,870	54,495	(2,375)	-4.2
Public Safety and Justice	602,679	727,459	124,780	20.7
Public Education System	922,174	958,250	36,076	3.9
Human Support Services	1,052,150	1,096,172	44,022	4.2
Public Works	303,364	311,756	8,392	2.8
Financing and Other ¹	457,202	439,825	(17,377)	-3.8
Total	\$3,602,412	\$3,800,169	\$197,757	5.5

Table 1-3

FY 2004 Local General Funds Expenditures (By Category)

(Dollars in Thousands)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Continuing Full Time Pay	\$1,155,773	\$1,235,252	\$79,479	6.9
Regular Pay - Other	79,929	80,821	892	1.1
Additional Gross Pay	40,872	80,712	39,840	97.5
Fringe Benefits	183,282	202,045	18,763	10.2
<i>Personal Services</i>	<i>1,459,856</i>	<i>1,598,830</i>	<i>138,974</i>	<i>9.5</i>
Supplies and Materials	35,345	44,820	9,475	26.8
Energy, Comm., and Bldg. Rentals	55,775	56,847	1,072	1.9
Telephone, Telegraph, Telegram, Etc.	19,778	25,309	5,531	28.0
Rentals - Land and Structures	70,350	78,930	8,580	12.2
Janitorial Services	4,070	6,899	2,829	69.5
Security Services	13,674	17,308	3,634	26.6
Other Services and Charges	117,574	118,310	736	0.6
Contractual Services - Other	337,405	333,633	-3,772	-1.1
Subsidies and Transfers	1,128,798	1,136,335	7,537	0.7
Equipment & Equipment Rental	37,712	37,599	-113	-0.3
Debt Service	322,074	345,350	23,276	7.2
<i>Nonpersonal Services</i>	<i>2,142,555</i>	<i>2,201,340</i>	<i>58,785</i>	<i>2.7</i>
Total	\$3,602,411	\$3,800,170	\$197,759	5.5

To provide context as to the types of expenses for a particular program, information is presented by expense category. Table 1-3 shows the entire Local funds budget by expense category. These same categories are used by all District agencies. Specific agency costs by expense category are included in the agency chapter of this budget book.

The largest expense category for the District is personal services, totaling \$1.6 billion and representing 42.1 percent of the Local funds budget. This funding will support 26,197 full-time

equivalent (FTE) positions, a decrease of 197 FTEs, or (0.7) percent from FY 2003. Including all fringe benefits, but excluding extra compensation like overtime and shift differential, the average FTE for FY 2004 will cost \$59,206. Appendix M provides the Local funds FTE levels for FY 2002 through 2004 for each agency, while appendix N provides the gross funds FTE levels for the same period. Table 1-4 describes the changes in FTEs by appropriation title. Table 1-5 shows the major changes in Gross funds FTEs for FY 2004.

Table 1-4

FY 2004 FTEs, by Appropriation Title (Local Funds)

	FY 2003 Approved Budget	FY 2004 Proposed Budget	Change	% Change
Governmental Direction and Support	2,337	2,346	9	0.4
Economic Development and Regulation	505	472	-33	-6.5
Public Safety and Justice	7,344	7,379	35	0.5
Public Education System	10,795	10,500	-295	-2.7
Human Support Services ¹	3,991	4,034	43	1.1
Public Works	1,422	1,466	44	3.1
Financing and Other	0	0	0	0
Total	26,394	26,197	-197	-0.7

¹ FTEs previously included in the Receiverships appropriation title are included in the Human Support Services appropriation title to reflect the return to District control from court-ordered receivership.

Table 1-5

Major FTE Changes (Gross Funds)

Agency	FTE Change from FY 2003	Primary Reason for Change
Department of Human Services	36	+ 71 FTEs associated with the Evan's Exit Plan. -23 FTEs transferred to the Office of Chief Technology Officer (OCTO). - 11 FTEs eliminated because of a decrease in Federal Medicaid funding. -1 FTEs transferred to the Office of Administrative Hearings (OAH).
Department of Health	(56)	- 60 FTEs transferred to Medicaid Program. 17 FTEs for preventive health care clinic at UDC. -6 FTEs because of the closure of a tuberculosis clinic. - 4 FTEs because of a reduction of services at a STD clinic. - 3 FTEs transferred to OAH.
Office of the Chief Financial Officer (OCFO)	(83)	- 83 FTEs because the elimination of unfunded positions and the consolidation of financial functions.
Office of Risk Management	42	+ 42 FTEs transferred because Risk Management is a new agency in FY 2004.
Office of Corporation Counsel	(32)	- 32 FTEs Reduction in certified Special Purpose Revenue funds and the elimination of unfunded positions.
Office of the Chief Technology	23	+ 23 FTEs transferred from the Department of Human Services.
Office of Property Mgmt.	20	+ 20 FTEs transferred from DC General Hospital.
Metropolitan Police Dept.	(24)	- 24 FTEs because of the elimination of unfunded positions.
Office of Administrative Hearings (OAH)	56	+ 56 FTEs New Agency in FY 2004.
UDC	(42)	-42 FTEs Reallocation of resources because of University President's vision.
State Education Office	22	+22 FTEs Transfer of positions for the Educational Licensure Commission.
Department of Public	32	+26 FTEs Mayoral enhancements for Abandoned and Junk Vehicles, Centralized Towing, Fleet and Seat Works Management. +6 Correct historical imbalances within funding sources.
Department of Motor Light Vehicles	17	-26 FTEs Elimination of unfunded positions. +16 New NE motor vehicle inspection station. +10 Red Enforcement. +8 Increase inspection services. -3 Transferred to OAH.
Other	3	This variance presents a net impact of many FTE changes, some increases and some decreases across all the District agencies not detailed above (please see appendices M and N as well as the agency chapters for additional information on FTE changes)

Organization of the FY 2004 Budget and Financial Plan

The FY 2004 Budget and Financial Plan is composed of the following volumes.

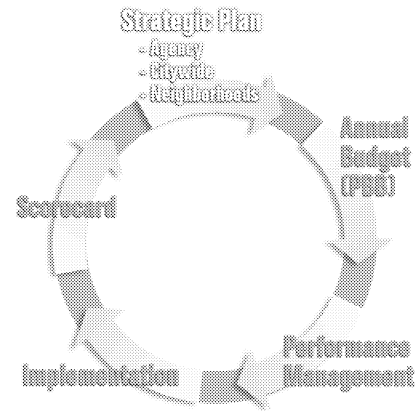
- FY 2004 Budget and Financial Plan – This volume provides, in one volume, all summary information regarding the District's proposed budget.
- FY 2004 Operating Appendices – This volume provides detailed information about an agency's operating funds.
- FY 2004 Capital Appendices – This volume provides detailed information about an agency's capital projects and spending.
- FY 2004-2009 Highway Trust Fund – This volume provides details about the Department of Transportation's local and federal transportation expenditures on bridges, roads, and highways.

While the proposed budget is similar to last year's submission, there are some notable changes. They include:

- Presentation of 26 additional agencies in performance-based budget (PBB) format, representing 85 percent of the gross funds budget.
- Greater detail in PBB program descriptions to include activity information.
- Conversion of the fund structure to reflect standard accounting definitions.
- Presentation of the District's FY 2004

Chart 1-4

Strategic Management Cycle



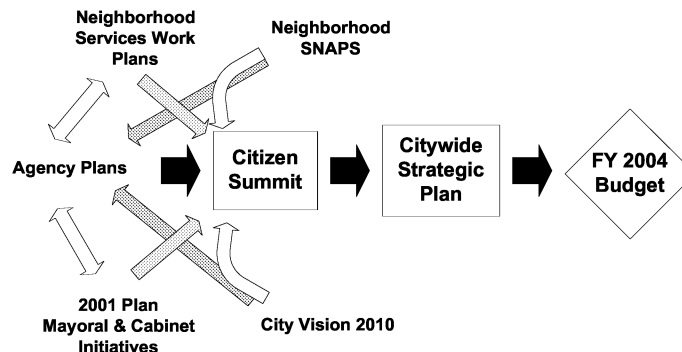
Highway Trust Fund volume with the March budget submission rather than the June submission to Congress.

- Development of a Citizen's Guide to the Budget accompanying the CD-ROM version of the FY 2004 budget.

The FY 2004 Budget and Financial Plan serves as the main summary volume of the proposed budget. In this one volume is information on District-level and agency level revenues and expenditures. This volume is organized into two primary sections. The narrative section provides general District-wide summary information about the budget, including revenues, expenditures, strategic initiatives, and capital expenditures. The agency section provides agency-specific

Chart 1-3

District of Columbia Strategic Planning Processes



information about revenues, expenditures, key initiatives, program information (for PBB agencies only), and performance data. Detailed information about agency expenditures can be found in the aforementioned supporting volumes.

The FY 2004 Budget Calendar

The FY 2004 Budget and Financial Plan is a culmination of a year-long process that starts with strategic and neighborhood planning and culminates with the specific spending decision in the budget. Some of the critical steps in the budget formulation process are described below.

How and When the Budget is Prepared

Neighborhood Planning

Every other year

Beginning in the summer of 2000, the Office of Neighborhood Action initiated strategic planning in the 39 area clusters (neighborhoods) of the District. The results of these Strategic Neighboring Action Plans (SNAPs) provide invaluable information and insight as to the priorities of the various neighborhoods of the District.

Budget Guidance

August – October 2002

The FY 2004 budget process began with the Office of Budget and Planning (OBP), which distributes the FY 2004 budget manual containing guidelines to agencies for developing their budget request.

Citizen Summit

Every other year

On October 6, 2001, the Mayor hosted Citizen Summit II at the Washington Convention to seek citizen advice on the draft Citywide strategic plan.

Agency Budget Request Development

November – December 2002

Taking into consideration the draft citywide strategic plan, the SNAPs, and following the budget guidance from OBP, agencies developed their FY 2004 budget request and program enhancements.

Budget Analysis

December 2002 – January 2003

OBP reviewed agency budget requests for adherence to guidelines, identified opportunities for efficiencies and incorporated revised economic data.

Budget Presentation

January – March 2003

OBP provided the Mayor with the baseline budget and program enhancements requested by the agencies. Final budget priorities were determined, and the FY 2004 proposed budget was finalized for submission to Council on March 17, 2003.

Budget Consensus Process

March 2003

April 2003

May 2003

June 2, 2003

The consensus process is the period when the Council, citizens, interested parties and the Mayor come to agreement on FY 2004 spending priorities. The District is legislatively required to develop and adopt a balanced budget.

Public hearings on the FY 2004 proposed budget

Council begins revising, or marking up, the Mayor's proposed budget

Council approves the FY 2004 Budget and Financial Plan

The FY 2004 Approved Budget and Financial Plan is submitted to Congress